

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 NEA-09 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 XMB-02

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R 221704Z APR 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8718

INFO ALL EC CAPITALS 573

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY SAN JOSE

LIMITED OFFICIAL USE EC BRUSSELS 3568

E.O. 11652: N/A

TAGS: EFIN, EEC

SUBJECT: VENEZUELA PREPARED TO ASSIST EC COMMON BORROWING FACILITY

REF: EC BRUSSELS 3155

1. BEGIN SUMMARY: THE VENEZUELAN GOVERNMENT OFFERED TO MAKE A LOAN TO THE EC COMMON BORROWING FACILITY ON ATTRACTIVE TERMS. NO MEMBER STATE HAS YET INDICATED AN INTEREST IN A BORROWING THIS YEAR AND THE COMMISSION HAS ASKED FOR SUCH AN INDICATION BY MAY 5. END SUMMARY.

2. EC COMMISSION OFFICIALS SAY THAT VICE PRESIDENT HAFERKAMP'S TRIP TO VENEZUELA AND COSTA RICA WENT WELL (SEE REFTEL). COMMISSION OFFICIALS HAVE DISCUSSED WITH US THE GOV'S OFFER TO MAKE A LOAN TO THE EC COMMON BORROWING FACILITY. VENEZUELA IS PREPARED TO LOAN THE FACILITY \$200-300 MILLION THIS YEAR AT AN INTEREST RATE BETWEEN 7.25 TO 8.0 PERCENT OVER A 5-6 YEAR TERM. OFFICIALS BELIEVE THE RATE IS LIKELY TO

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BE CLOSE TO 8 PERCENT.

3. HAFERKAMP DISCUSSED THE POSSIBILITY OF THIS BORROWING AT THE LUNCHEON OF EC FINANCE MINISTERS ON APRIL 21. SEVERAL MINISTERS WERE IMPRESSED WITH THE TERMS THAT COULD BE OBTAINED FROM VENEZUELA. THE INTEREST RATE IS LOWER THAN THAT AT WHICH MEMBER STATES SUCH AS FRANCE AND ITALY ARE CURRENTLY BORROWING ON THE INTERNATIONAL CAPITAL MARKETS AND IN DIRECT PLACEMENTS WITH THE OPEC COUNTRIES.

4. COMMISSION OFFICIALS SAY THE FAVORABLE TERMS OF THE VENEZUELAN OFFER HAVE MADE THE FACILITY MORE ATTRACTIVE TO SEVERAL MEMBER STATES, THOUGH AT THE APRIL 21 MEETING NONE OF THE FINANCE MINISTERS EXPRESSED IMMEDIATE INTEREST IN USING THE FACILITY. HAFERKAMP ASKED THE FINANCE MINISTERS FOR A CLEAR INDICATION BY MAY 5 OF WHETHER THEY WISH TO BORROW FROM THE FACILITY THIS YEAR. COMMISSION OFFICIALS HAVE NO IDEA IF ANY MEMBER STATE WILL MAKE SUCH A DECISION BY THAT DATE. SHOULD THEY DECIDE AGAINST IT, THE FACILITY WOULD REMAIN DORMANT AT LEAST UNTIL 1976.

5. HAFERKAMP WILL NOT MAKE FINAL DECISIONS ON A POSSIBLE TRIP TO JIDDA OR RIYADH UNTIL HE KNOWS THE MEMBER STATES' INTENTIONS ON THE USE OF THE FACILITY. HIS TRIP HAD ORIGINALLY BEEN SCHEDULED FOR THE WEEK OF APRIL 21. AFTER THIS DATE PROVED INCONVENIENT, HAFERKAMP PROPOSED TWO POSSIBLE LATER DATES. IF THE MEMBER STATES HAVE NO INTEREST IN THE FACILITY FOR THIS YEAR, THE COMMISSION WOULD PROBABLY SEND ONLY A TECHNICAL-LEVEL GROUP TO SAUDI ARABIA AND NOT PURSUE FURTHER CONTACTS WITH OTHER OPEC COUNTRIES FOR THE TIME BEING.MYERSON

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